

Amando M Tetangco, Jr: The POS interconnection – giving better banking services together

Speech by Mr Amando M Tetangco, Jr, Governor of Bangko Sentral ng Pilipinas (the central bank of the Philippines), at the launching of the point of sale interconnection, Manila, 27 October 2010.

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The officers and staff of the country's three biggest ATM networks, fellow bankers, special guests, good morning!

I am very pleased to witness the launching of this much-anticipated project: the point of sale (POS) interconnection of Bancnet, Expressnet and Megalink. This is another milestone in the Philippine financial system as it is certain to open gateways for further expansion of financial services in the country through a convenient, secure and reliable channel.

For this, let us commend the leadership of our three networks: Expressnet led by its Chairman Aurelio Montinola III, Bancnet led by its Chairman Ricardo Chua, and Megalink led by its President Benjamin Castillo. Let us give them a well-deserved round of applause!

Indeed, the POS system in the Philippines has come a long way from its initial introduction by the Bank of the Philippine Islands in 1987, followed by Megalink in 1993 and Bancnet in 1994. Today, we have over 37,000 POS terminals serving around 30 million ATM cardholders in malls, restaurants, hotels and even small specialty shops. In other words, your market covers roughly one-third of our country's population of about 92 million!

The cooperative efforts that have led the three biggest ATM networks in the country to institutionalize the interconnectivity of their respective POS systems are therefore a most welcome development. This should lead to even improved efficiencies and better services, while enabling customer payments in a faster but simpler manner.

We at the Bangko Sentral knew it was just a matter of time before this project became a reality. After all, the three ATM networks already worked together in 2006 to achieve full interconnection of their ATM services to provide more accessible and efficient services at much lower costs to the banking public.

This time around, the interconnection of the POS systems of the ATM consortia should increase the touch points for client interface and enhance the value of your services to your customers. The value proposition for retailers is likewise enhanced. With this POS interconnection, retailers will no longer have to deploy multiple card-accepting devices, thereby simplifying operations and minimizing costs. Ultimately, millions of Filipinos will enjoy the convenience, efficiency and lower costs of transactions from your POS interconnection.

We at the Bangko Sentral also welcome this initiative because it presents enormous potential for creating a truly inclusive financial system where strong and vibrant institutions provide efficient financial services to more people including the underbanked and those who remain unbanked or unserved by our financial system.

Crucial in developing this system is the creation of a network of access points where customers can conduct their transactions through a multi-channel approach for customer interface. This is where an interconnected POS system can play an important role.

Since POS terminals entail relatively minimal investment, are easier to deploy and are less costly to maintain, it is likely that more and more financial institutions will be inclined to adopt this technology as a channel for their services.

The growth in electronic or e-money business is another area that may fortify the role of POS systems further. Bangko Sentral's Circular 649 which set the regulatory framework for

e-money and e-money issuers promotes innovations in fund transfer mechanisms and paves the way for a competitive growth in the industry. Under this framework, authorized e-money issuers can build a network of cash in/cash out agents that can serve as gateway for the previously unbanked to access financial services.

Financial institutions can create linkages and leverage this vast network of agents to deliver financial services to a broader market using the e-money platform facilitated by either a mobile phone or a POS terminal. We have seen promising results so far. I understand that the next phase of development for the system is to allow fund transfers, another welcome innovation.

As of March 2010, for instance, we have monitored 7.4 million e-money transactions valued at roughly 11.3 billion pesos using ATM and POS channels. Once this POS network interconnection is fully developed, therefore, it will provide even more efficient and cost-effective ways to serve the many bankable yet unbanked Filipinos.

Nevertheless, it is prudent to remember that while technology presents us with many opportunities, we must also remain vigilant of its attendant challenges and risks. System downtimes, breach of consumer information confidentiality, unclear charges and fees are among the issues that can erode public confidence in the POS system.

We therefore enjoin our ATM consortia, as well as other financial institutions, to adopt appropriate measures and controls to mitigate such risks. One of your priorities should be an information campaign to ensure that customers are properly informed on how they can perform POS transactions safely and securely, as well as the possible risks involved.

Customers must also be informed about all applicable fees associated with the use of other networks' POS terminals, in accordance with existing BSP regulations on e-money and consumer protection.

On our part, we at the Bangko Sentral will continue to create a policy and regulatory environment that will enable innovations to flourish while ensuring that appropriate controls and safeguards are in place.

Ladies and gentlemen. Changes in our financial landscape and innovations in technology represent both challenge and opportunity for all of us. I believe however that if we remain united by our common goal to provide better service to Filipino consumers, we will find the way forward.

While we have our respective roles to play, we should find ultimate convergence in working for a better, stronger, and more inclusive banking system; a banking system that supports balanced and sustainable growth for our country and our people.

And so, once again, I congratulate Bancnet, Expressnet and Megalink for proving, once again, that public service is alive and well in the banking sector.

Mabuhay! Maraming salamat sa inyong lahat!